

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Telecommunications Relay Services)	CG Docket No. 03-123
and Speech-to-Speech Services for)	
Individuals with Hearing and Speech)	
Disabilities)	
)	
Petition for Rulemaking to Mandate)	
Captioned Telephone)	

REPLY COMMENTS OF VERIZON¹

The Commission must consider more than just the potential benefits of a service before mandating that it be provided in all telecommunications relay service ("TRS") programs nationwide. The comments of other relay providers and state commissions reinforce the cautions that MCI raised in its initial comments against mandating captioned telephone relay service ("captioned telephone") at this time.

As the Petitioners noted, and several parties confirmed, only one company in the United States (Ultratec) has the technology to provide captioned telephone.² Although the Petition speculates that other providers one day will be able to replicate Ultratec's proprietary equipment and technology, Petition at 21, to date none have. Because there is only one provider, and the service is fairly new, there exist significant questions about the

¹ For purposes of this filing, "Verizon" refers to the telephone companies affiliated with Verizon Communications Inc. and identified in Attachment A. Initial comments in this proceeding were filed on behalf of MCI, Inc. On January 6, 2006, MCI, Inc. merged into MCI, LLC, a wholly owned subsidiary of Verizon Communications Inc.

² Petition, at 20; Comments of the California Public Utilities Commission and the People of the State of California, at 9 (filed Dec. 29, 2005) ("California PUC Comments").

capacity and quality of service that would be provided if the service was mandated nationwide.³ Moreover, when there is only one company that offers the service, there can be no guarantee that TRS providers would be able to obtain the service at commercially reasonable prices and terms. *See* MCI Comments, at 1-2, 5. Comments of others confirm that only two TRS providers in the country – Sprint and Hamilton Relay – are permitted by Ultratec to offer the service.⁴

Even assuming Ultratec were willing to negotiate with other TRS providers for the provision of captioned telephone – and had the capacity to make the service available nationwide – an FCC mandate would guarantee that Ultratec could demand almost whatever price it wanted for the service. If captioned telephone were a mandatory service, TRS providers would have no bargaining power to negotiate for reasonable captioned telephone rates. And, as one state commission noted, it does not appear that regulators would have any ability to control captioned telephone rates in the absence of marketplace controls. *See* California PUC Comments, at 10. Because TRS providers would have to factor the higher price of captioned telephone into the total price of the

³ *See* Comments of The Florida State Public Service Commission, at 2 (filed Dec. 21, 2005) (“Florida PSC Comments”) (noting that because there is only one captioned telephone call center in the state, “the provider is limited in the number of calls its call center can process” and that “Florida has experienced service quality problems with the service”); *see also* MCI Comments, at 2, 5 (filed Dec. 30, 2005) (noting that Ultratec has previously refused to license captioned telephone to MCI based on an assertion that it lacked sufficient capacity).

⁴ *See* Comments of Sprint Nextel Corporation, at 2 (filed Dec. 30, 2005) (identifying itself as “one of the two TRS providers” that have agreements with Captel, Inc. to provide captioned telephone); Hamilton Relay Comments, at 1 (filed Dec. 30, 2005) (noting that it has entered into a wholesale arrangement with Ultratec, and resells captioned telephone service in five states); California PUC Comments, at 9 (“[W]ithin our multi-vendor relay provider environment, only one provider, Sprint, is permitted by Ultratec to offer [captioned telephone] in California.”).

services offered when bidding on state TRS contracts, this could lead to an increase in the cost of all services offered by TRS providers.⁵

Indeed, captioned telephone already is very costly to provide, both in terms of the initial equipment necessary to provide the service, and the per-minute usage costs.⁶ For that reason, both Florida and California have stated that they would *not* support mandating captioned telephone if states were expected to cover the intrastate portion of the service.⁷ And the service is likely to remain costly as long as only one company maintains sole control of the technology necessary to provide the service. *See* California PUC Comments, at 10 (“When only one company provides the technology, quite frankly, the company can charge what the market will bear, absent regulatory oversight.”). For

⁵ In some states, the TRS services are offered by one provider, and captioned telephone offered by another, in which case captioned telephone costs could be separated from those of other relay services. However, in other states, either by state choice or statutory requirement, one TRS provider provides both captioned telephone and other relay services. *See, e.g.,* Florida PSC Comments, at 3 (noting that Florida is statutorily required to have only one TRS provider).

⁶ *See* Florida PSC Comments, at 1-2 (even though Florida has limited distribution of captioned telephone phones to 100 per month, and the service is relatively new, the per minute usage cost to provide the service costs Florida approximately \$175,000 per month); California PUC Comments, at 5-6 (noting that captioned telephone equipment is “significantly more expensive than traditional relay equipment and will be a major initial expense” to the state if it is required to provide it, and that the per-minute usage charge will be the major expense over time).

⁷ *See* Florida PSC Comments, at 4 (“Florida opposes mandating captioned telephone relay service and IP captioned relay service if states are expected to cover the cost of the services.”); California PUC Comments, at 7 (“If the FCC is inclined to require states to fund [captioned telephone] at the state level for all takers, then the CPUC would oppose a mandate for provision of the service.”).

that reason, some states may not have the financial resources to pay for captioned telephone and still maintain other TRS priorities.⁸

The solution to the expense problem is not, as some commenters suggests, to fund captioned telephone entirely out of the interstate TRS fund. *See, e.g., California PUC Comments*, at 4-7. As an initial matter, Section 225 of the Act states that the Commission regulations regarding the jurisdictional separation of costs must “generally provide that costs caused by interstate telecommunications relay service shall be recovered from all subscribers for every interstate service and costs caused by intrastate telecommunications relay service shall be recovered from the intrastate jurisdiction.” 47 U.S.C. § 225(d)(3)(B). As Florida pointed out, the FCC recently concluded that approximately 89% of the usage costs for two-lined captioned telephone are intrastate costs. *See Florida PSC Comments*, at 4.⁹ Simply moving these intrastate costs to the interstate fund in order to alleviate state budgetary concerns is inconsistent with the Act.¹⁰ Moreover, if there are significant concerns about the costs of providing captioned telephone, those concerns do not go away simply by shifting funding from intrastate to interstate TRS mechanisms.

⁸ *See California PUC Comments*, at 5 (noting that California’s legislature has capped the amount that consumers can be charged to fund TRS); *see also Florida PSC Comments*, at 2 (noting that Florida has a statutorily imposed cap on TRS surcharges).

⁹ Although Florida does not provide an estimate the percentage of one-line captioned telephone service costs that are intrastate, Verizon understands that the majority of those usage costs are intrastate as well.

¹⁰ As Verizon has stated in prior comments, there may be some relay services that the Commission can treat as entirely “interstate.” For example, several commenters, including Verizon, agreed that the Commission could, at least in the short term, designate IP Relay costs as entirely interstate, because the origination of callers in the IP Relay system cannot be determined. *See Verizon Comments*, CC Docket 98-67, at 2-3 (filed July 11, 2002).

III. CONCLUSION

The Commission should not initiate a rulemaking proceeding to mandate the provision of captioned telephone at this time.

Respectfully submitted,

THE VERIZON TELEPHONE COMPANIES

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THE VERIZON TELEPHONE COMPANIES

The local exchange carriers affiliated with Verizon Communications Inc. are:

Contel of the South, Inc. d/b/a Verizon Mid-States
GTE Southwest Incorporated d/b/a Verizon Southwest
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.

In addition, on January 6, 2006, MCI, Inc. merged into MCI, LLC, a wholly owned subsidiary of Verizon Communications Inc. MCI, LLC, through its operating subsidiaries, provides enhanced services and local, long-distance, and other telecommunications services domestically and internationally.